

**Sozak Oil and Gas JSC**

**Interim condensed financial statements**

*As at and for the nine months  
ended 30 September 2023*

*(unaudited)*

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### Interim condensed financial statements

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**INTERIM STATEMENT OF FINANCIAL POSITION**

At 30 September 2023

<i>In thousands of tenge</i>	Notes	30 September 2 023	31 December 2 022
<b>Assets</b>			
<b>Non-current assets</b>			
Exploration and evaluation assets	2	56 385 561	43 750 396
Property, plant and equipment		17 576	17 758
Long-term VAT recoverable	3	4 012 547	2 653 350
Restricted cash	4	193 109	193 109
<b>Total non-current assets</b>		<b>60 608 794</b>	<b>46 614 613</b>
<b>Current assets</b>			
Loan issued	5	299 997	230 000
Other current assets		7 977	17 638
Trade accounts receivable		136 595	77 746
Cash and cash equivalents	6	51 700	11 416
<b>Total current assets</b>		<b>496 269</b>	<b>336 800</b>
<b>Total assets</b>		<b>61 105 063</b>	<b>46 951 413</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Charter capital	7	283 780	283 780
Accumulated loss		(4 030 743)	(3 649 381)
<b>Total equity</b>		<b>(3 746 963)</b>	<b>(3 365 601)</b>
<b>Non-current liabilities</b>			
Abandonment and site restoration provision	8	135 689	135 689
Long-term loans	9	1 637 157	1 112 286
<b>Total non-current liabilities</b>		<b>1 772 846</b>	<b>1 247 975</b>
<b>Current liabilities</b>			
Accounts and other payables	10	20 030 930	7 396 317
Loans	9	42 648 044	41 235 628
Other current liabilities	11	400 206	437 094
<b>Total current liabilities</b>		<b>63 079 179</b>	<b>49 069 039</b>
<b>Total equity and liabilities</b>		<b>61 105 063</b>	<b>46 951 413</b>

General Director



Chief accountant

  
 \_\_\_\_\_  
 Liu Wei

  
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Alma Koshekbayeva

The notes on pages 5 to 9 are an integral part of these interim condensed financial statements.

**INTERIM STATEMENT OF COMPREHENSIVE LOSS****For the nine months ended 30 September 2023**

<i>In thousands of tenge</i>	Notes	For the nine months ended 30 September 2023	For the nine months ended 30 September 2022
General and administrative expenses		(178 679)	(121 104)
Other income/expense		189 034	57 331
<b>Operating loss</b>		<b>10 355</b>	<b>(63 773)</b>
Finance income		85 203	85 203
Finance costs			
Net foreign exchange differences		(476 920)	(1 516 115)
<b>Loss before taxes</b>		<b>(381 362)</b>	<b>(1 494 685)</b>
Income tax expense			
<b>Net loss for the year</b>		<b>(381 362)</b>	<b>(1 494 685)</b>
<b>Total comprehensive loss for the period, net of tax</b>		<b>(381 362)</b>	<b>(1 494 685)</b>

General Director


  
Liu Wei

Chief accountant

  
Alma Koshekbayeva

**INTERIM STATEMENT OF CHANGES IN EQUITY****For the nine months ended 30 September 2023**

<i>In thousands of tenge</i>	<b>Charter capital</b>	<b>Accumulated loss</b>	<b>Total</b>
<b>As at 1 January 2022</b>	283 780	(2 102 945)	(1 819 165)
Net loss for the year		(1 546 436)	(1 546 436)
<b>As at 31 December 2022</b>	283 780	(3 649 381)	(3 365 601)
Net loss for the 9 month		(381 362)	(381 362)
<b>Total comprehensive loss for the period</b>		(381 362)	(381 362)
<b>As at 30 September 2023</b>	<b>283 780</b>	<b>(4 030 743)</b>	<b>(3 746 963)</b>

General Director



Liu Wei

Chief accountant

Alma Koshekbayeva

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**INTERIM STATEMENT OF CASH FLOWS**

For the nine months ended 30 September 2023


<i>In thousands of tenge</i>	Notes	For the nine months ended 30 September 2023	For the nine months ended 30 September 2022
<b>Operating activities</b>			
Loss before tax		(381 362)	(1 494 685)
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation		185	158
		(85 203)	(85 203)
Finance income			
Finance costs		476 920	1 516 115
Net foreign exchange difference		719	4 573
Accrual of unused vacation allowance			
Working capital adjustments:			
Change in other current assets		(33 980)	(17 837)
Change in VAT recoverable	3	(1 359 197)	(8 790)
Change in trade and other payables		12 634 611	(178 584)
Change in other taxes payable		594	7 267
Change in other current liabilities		(656)	2 428
		11 252 630	(254 558)
Income tax paid		(37 545)	(19 824)
<b>Net cash (used in) / from operating activities</b>		<b>11 215 085</b>	<b>(274 382)</b>
<b>Investing activities</b>			
Purchase of exploration and evaluation assets		(11 574 039)	(96 358)
Purchase of property, plant and equipment			(1 048)
<b>Net cash from / (used in) investing activities</b>		<b>(11 574 039)</b>	<b>(97 406)</b>
<b>Financing activities</b>			
Proceeds from borrowings		399 104	400 495
Repayment of borrowings			(20 000)
<b>Net cash from financing activities</b>		<b>399 104</b>	<b>380 495</b>
<b>Net change in cash and cash equivalents</b>		<b>40 150</b>	<b>8 708</b>
Effect of exchange rate changes on cash and cash equivalents		135	(833)
Cash and cash equivalents, beginning of the period		11 416	17 908
<b>Cash and cash equivalents at the end of the period</b>	6	<b>51 700</b>	<b>25 782</b>

General Director



Chief accountant

  
 Liu Wei

  
 Alma Koshekbayeva

The notes on pages 5 to 9 are an integral part of these interim condensed financial statements.

**NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS****For the nine months ended 30 September 2023****1. ORGANIZATION AND PRINCIPAL ACTIVITIES****Corporate information**

Sozak Oil and Gas JSC (the “Company”) is a joint stock company established under the laws of the Republic of Kazakhstan, as a result of reorganization of limited liability partnership on 4 September 2019. Date of the initial registration was on 16 July 2001.

The shareholders of the Company are:

	30 September 2023	31 December 2022
Danq Investment Pte. Ltd.	50.0001%	50.0001%
Singapore Charter Power Pte. Ltd.	17%	17%
Maten Petroleum JSC	10%	10%
Singapore Starlights Energy Investment Pte. Ltd.	5.855%	5.855%
Sino-Science Netherlands Energy Group B.V.	5.659%	5.659%
Luck Gain Internation AI Limited	5.45%	5.45%
Shenzhen Andachang Industrial Co., Ltd.	4.636%	4.636%
Sino-Science Netherlands Petroleum B.V.	1.3999%	1.3999%
	<b>100%</b>	<b>100%</b>

The ultimate controlling party of the company is mr. Hui ling

**Registered address**

The Head office of the Company is registered at the following address: 12 Zheltoksan Street, Kyzylorda, 120008, the Republic of Kazakhstan.

**Principal activities**

The Company conducts oil and gas exploration activities in Turkestan and Kyzylorda regions of the Republic of Kazakhstan. The Company is at the exploration and evaluation stage and has not yet commenced commercial production of hydrocarbons.

The Company performs its activities in accordance with the contract for the exploration and production of hydrocarbons No. 2433 (the “Contract”) signed with the Ministry of Energy of the Republic of Kazakhstan dated 27 July 2007 (valid for five years with four-year extension right) and Act of state registration of the Contract for the subsoil use operations dated 27 July 2007. On 5 January 2020, the exploration and production contract was extended to 31 December 2022. On 13 September 2021, the exploration and production contract was extended to 15 October 2023. Upon commercial discovery, the Company has the exclusive right to enter the development stage by negotiating and signing a contract on production.

**Exploratory drilling**

In December 2008, the Company completed exploratory drilling of a well Kenderlyk-5. As result of this exploratory drilling, the Company decided to close this well due to the fact that it was dry. In 2010-2011 the Company drilled 2 wells. The wells have gas inflow, and by the management decision, further operations were suspended.

In 2013, the Company completed drilling operations on Bugulzhinskaya-1 well. In 2014, the Company completed drilling operations on Assa-2, Yuzhnoe-Pridorozhnoe-18 wells. In 2015, the Company completed drilling operations on wells Tamgalytar-6, Tamgalytar-8, Kenderlyk-6, Kenderlyk-7, and Tamgalynskaya-1. The wells have gas inflow, and by the management decision, further testing works on the specified wells will be performed. In 2016, the Company started drilling 2 wells SK-1012 (drilling was completed in 2017) and SK-1017 (drilling was completed in 2017).

In 2017, the Company drilled another exploration well SK-1018. In 2017, testing was carried out in 5 intervals in exploratory wells built on the contractual area. During 2018, SK-1018 well testing works were completed, as well as analysis of core boring for further drilling operations. In 2021, the construction of the evaluation well SK-1006 was commenced and completed.

In 2022, the well SK-1006 was tested and two wells SK-1007 and SK-1005 were drilled. Cores from new wells were selected for analysis. In 9 months of 2023, 7 appraisal wells were drilled, new wells were sampled and tested.

**NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (continued)**

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**Exploratory drilling (continued)**

On 11 December 2019, the Company filed an application to the Ministry of Ecology, Geology and Natural Resources of the Republic of Kazakhstan for confirmation of discovery at the Assa and Pridorozhnoe Yuzhnoe wells.

On 25 December 2019, the Ministry of Ecology, Geology and Natural Resources of the Republic of Kazakhstan confirmed availability of hydrocarbons at the Assa and Pridorozhnoe Yuzhnoe wells.

On 29 April 2020, the Company sent a request to the Ministry of Geology to confirm the detection of gases at the Kenderlyk and Tamgalytar fields; on 15 May 2020, confirmation was received.

The Company sent a request to the Ministry of Geology to confirm the detection of gases at the Ortalyk and Appak fields, on 15 May 2020, confirmation was received.

On 14 October 2020, an operational report received on the approval of the reserves at Pridorozhnoe field.

On 8 December 2020, an operational report received on the approval of the reserves at Assa field.

On 28 June 2021, an operational report received on the approval of the reserves at Ortalyk field.

On 17 November 2021, an operational report received on the approval of the reserves at Kenderlyk field.

On 30 May 2022, an operational report received on the approval of the reserves at Tamgalytar field.

On 17 October 2022, an operational report received on the approval of the reserves at Oppak field.

**Going concern**

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

This circumstance indicates that there is material uncertainty, which may cast significant doubt on the Company's ability to continue as a going concern. Also, the Company's contract for the exploration of hydrocarbons No. 2433 expires on October 15, 2023, the Company is in the process of preparing to file for an extension of the contract period. The Company's management believes that the extension of the contract is highly probable, since during 2022 the Company concluded contracts for the completion of exploration work according to the work program, and also on 10 April 2023, it concluded a loan agreement with Hong Kong Sino-Science International Oil & Gas Investment Group Company, Ltd for the purpose of financing these operations in the amount of 22,000 thousand US dollars (equivalent to 10,178,000 thousand tenge).

The ability of the Company to settle its trade payables, repay its borrowings and continue its planned exploration and evaluation activities, as well as to maintain its going concern status depend on the Company raising additional cash in the foreseeable future. At the date of these financial statements, the management is satisfied that there are reasonable grounds to believe that the Company will be able to continue as a going concern by raising additional funds as required. In developing this opinion, the management reviewed the position of the Company and analysed the option of raising additional funds from the company's shareholders. The significant uncertainty about the successful completion of the financing option listed above may cause significant doubts about the Company's ability to repay its debts on time, and, consequently, to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts or classifications of liabilities that might be necessary should the Company not be able to continue as a going concern



**NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (continued)****2. EXPLORATION AND EVALUATION ASSETS**

<i>In thousands of tenge</i>	<b>Tangible assets</b>	<b>Intangible assets</b>	<b>Total</b>
<b>As at 31 December 2022</b>	<b>43.017.532</b>	<b>732.864</b>	<b>43.750.396</b>
Additions	12.635.165		12.635.165
<b>As at 30 September 2023</b>	<b>55.652.697</b>	<b>732.864</b>	<b>56.385.561</b>

As at 30 September 2023, exploration and evaluation assets include capitalised inventories in the amount of 286.590 thousand tenge (as at 31 December 2022: 281.816 thousand tenge). Capitalised inventory represents the cost of casing pipes, drilling bits and other drilling materials. During 9 month period of 2023, the Company capitalised 80.331 thousand tenge of directly attributable geological and geophysical expenses (During 9 month period of 2022: 57.340 thousand tenge). During 9 month period of 2023, the Company capitalised 1.061.126 thousand tenge of interest expenses (During 9 month period of 2022: 1.048.926 thousand tenge). During 9 month period of 2023, the Company drilled 7 well (2022: the Company drilled 2 well).

**3. LONG-TERM VAT RECOVERABLE***In thousands of tenge*

<b>At 31 December 2022</b>	<b>2.653.350</b>
Additions	1.359.197
<b>30 September 2023</b>	<b>4.012.547</b>

**4. RESTRICTED CASH**

Cash that is restricted in use, in terms of creating an appropriate liquidation fund, represents cash in tenge in a bank account to fulfil obligations for the future restoration of the site, in accordance with the Subsoil Use Contract, the Company is obliged to accumulate cash in a special bank account for the relevant purposes. The management of the Company does not intend to use this cash with a restriction on withdrawal until the moment of liquidation of the wells. In 2023, for accounts restricted in use, interest was accrued at a rate of 10.5% per annum (2022: 10.5%).

**5. LOAN ISSUED**

<i>In thousands of tenge</i>	<b>Interest rate</b>	<b>Date of repayment</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
North Caspian Petroleum JSC	9%	On demand	<b>299.997</b>	230.000
			<b>299.997</b>	230.000

In 2018, the Company provided loans to North Caspian Petroleum JSC, in the amount of 1,684,231 thousand tenge at the rate of 9% per annum. Under the supplementary agreement dated 31 December 2019, repayment of the loan and payment of interest on each loan shall be paid by the borrower within 30 days after receiving an official written request for repayment from the Company.

**6. CASH AND CASH EQUIVALENTS**

As at 30 September 2023 and 31 December 2022 cash and cash equivalents comprised the following:

<i>In thousands of tenge</i>	<b>30 September 2023</b>	<b>31 December 2022</b>
Bank accounts in US dollars	<b>51.171</b>	11.293
Bank accounts in tenge	<b>529</b>	123
<b>Total</b>	<b>51.700</b>	11.416

**NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (continued)****7. EQUITY**

As of September 30, 2023 and 31 December 2022, the charter capital of the Company amounted to 283,780 thousand tenge and was fully formed and paid. On 4 September 2019, the Company was reorganised from a limited liability partnership into a Joint Stock Company. In reorganisation, additional paid-in capital in the amount of 34,957,358 thousand tenge was transferred to the share capital and accumulated loss of the Joint Stock Company.

In 2019 authorized share capital was increased by 283,780 thousand tenge through issue of 1,000,000 ordinary shares with nominal value KZT 283,78 each.

**8. ABANDONMENT AND SITE RESTORATION PROVISION**

*In thousands of tenge*

<b>At 1 January 2023</b>	<b>135.689</b>
Change in estimate	-
Unwinding of discount	-
<b>30 September 2023</b>	<b>135.689</b>

Assets retirement obligations consist of provisions for future site restoration and relate to liabilities under the Contract for the recovery of a hydrocarbon field to its initial condition. Mainly, these expenditures will be incurred by the end of the useful life of wells. The volume and cost of future recovery programs will be difficult to estimate. They depend on the estimated useful life of wells, volume of possible contamination, timeline and volume of rehabilitation measures.

**9. LOANS**

<i>In thousands of tenge</i>	<b>Interest rate</b>	<b>Maturity</b>	<b>30 September 2023</b>	<b>31 December 2022</b>
Kozhan JSC	18%	On demand	<b>4.654.755</b>	4.371.725
Other loans	0%	31 December 2023	<b>21.857</b>	21.856
Hong Kong Sino-Science International Oil & Gas, Ltd	8%	31 December 2023	<b>15.267.183</b>	13.821.345
Sino-Science Netherlands Petroleum B.V.	8%	31 December 2023	<b>3.032.250</b>	2.823.833
Sino-Science Netherlands Petroleum B.V.	0%	On demand	<b>20.738.492</b>	20.738.492
Sino-Science Netherlands Energy Group B.V.	0%	On demand	<b>570.664</b>	570.664
<b>Total loans</b>			<b>44.285.201</b>	42.347.914
<b>Total long-term loans</b>			<b>1.637.157</b>	1.112.286
<b>Total short-term loans</b>			<b>42.648.044</b>	41.235.628

**10. ACCOUNTS PAYABLE AND OTHER DEBTS**

Payables primarily represent drilling services provided by third parties. As at 30 September 2023 and 31 December 2022 payables were denominated in tenge.

**NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (continued)****11. OTHER CURRENT LIABILITIES**

<i>In thousands of tenge</i>	<b>30 September 2023</b>	<b>31 December 2022</b>
Fines and penalties under contracts	<b>203.280</b>	223.286
Provision for fines and penalties under contracts	<b>20.006</b>	20.006
Provision for unused vacations	<b>8.496</b>	9.215
Contract performance bond paid by suppliers	<b>154.041</b>	153.990
Other	<b>14.383</b>	50.603
<b>Total</b>	<b>400.206</b>	437.094

The provision for fines and penalties is mainly a provision for non-fulfilment of contractual obligations to Anton Oilfield International Company Limited Branch in the amount of 203,280 thousand tenge (2022: 203,280 thousand tenge). Contract performance bond paid by suppliers represents prepayments in the amount of 3% of the contract amount made by participants during the service rendering period. Upon completion of the works, the contract performance bond is then returned.